MEMBERS N. Y. STOCK EXCHANGE AND OTHER
PRINCIPAL STOCK AND COMMODITY EXCHANGES

MERRILL LYNCH, PIERCE, FENNER & SMITH INC

file

70 PINE STREET, NEW YORK, NEW YORK 10005

ANNUAL REPORT • 1964

WE ARE AGAINST INCREASED CHARGES TO INVESTORS

INDEX

After a lapse of several years a proposal has been made again to increase charges to the public for buying and selling securities on the New York Stock Exchange. The proposal includes a commission increase ranging from 1.3% to 16.6% and a mandatory service charge ranging from $1 a month ($12 a year) to $5 a month ($60 a year) to customers who leave their securities in their accounts with their brokers.

This is how we feel about it —

The proposed charges are unjustified, unfair, and shortsighted. Volume on the New York Stock Exchange has been in an uptrend with each of the last two years setting new high records in trading. As this Annual Report shows, the 1964 year was one of the best in our history. We believe that it was among the best for many firms. There is no justification for compelling the customers of profitable firms to pay extra fees to subsidize firms that are not operating profitably.

Over the years we have worked hard to broaden the base of share ownership and bring in new investors who for the most part are small investors. The proposal to increase charges is a strange way to encourage "People's Capitalism."

Aside from being unjustified, the proposed maintenance charge is especially unwise. To hold a customer's securities is not only a convenience to him, but it also provides a protection he otherwise might not have. It is a business practice which is a two-way street that leads to benefits to both the customer and the broker. Even though the proposed service charges theoretically would add several millions of dollars to our income, inherent in the proposal is a total disregard of the public interest that sweeps away the mirage of increased revenue.

Further, any firm that wishes to levy service charges on their accounts is free to do so now (some firms already charge their customers for certain services). As a matter of principle, however, we object to the New York Stock Exchange, or anyone else, forcing us to impose service charges on our customers. The decision to charge or not to charge should depend on each firm's concept of what is good policy, just as their advertising, their expansion plans, their employee benefits and many other things are properly matters of policy and free choice. If service charges were made mandatory, it would take from the member firms an area of decision which belongs to management. This certainly is not the American way of doing business.

TO OUR CUSTOMERS:

WE ARE MOVING into a new world far faster than most people realize. Under the sea scientists are probing seven miles deep for vast sources of food and exotic minerals—and the unknown. On the surface we draft plans for trains which will go 200 miles an hour; we have cars which race three times faster on the Utah salt flats. In the air we work on supersonic airliners to fly 2,000 miles an hour and hypersonic planes to reach any place on the globe in less than luncheon time.

In the vastness of the universe we have a space ship zooming towards Mars and it should photograph the planet in July. Sometime in the next five years—if not before—we will land our men and plant our flag on the Moon. Once there biological cells, fuel cells and solar cells will keep the men alive and healthy.

Right around the corner we have electronic wizards to help businessmen plot the future; in hospitals sophisticated computers instantly record every pulse beat and body reaction during a delicate heart operation.

All these things are part of the greatest research and development program in U. S. history. Current expenditures are at the rate of $21 billion a year, an incredible 25 times 1940. These dollars go into everything from boron to zenon and from agriculture to wind tunnels. An estimated one billion a year is spent on drug and medical research; our nation spends $7 billion a year on space and most of the money is for research and testing rather than "hardware." One forecast is that total R&D will reach $28 billion by 1970.

The pace of progress has stimulated a record level of capital spending by U. S. industry. In the year ended next month private investment in factories, mills, office buildings and labs will reach $48 billion, an increase of almost $6 billion in twelve months and double four years ago. The trends indicate a further increase.

To finance this expansion, U. S. business must resort to internal funds, private loans, and the issuance of new stocks and bonds. In the past year American industry issued $13 billion of new securities of which many billions were for new money. Here again the trends indicate a further increase.

Fortunately the financial community is robust and well able to handle the projected need for more capital and the expected tide of new underwritings. As one indication, the number of U. S. investors is a record 18,000,000-plus, a remarkable increase over the 7,250,000 as recently as 1954.

The world's largest securities market is the New York Stock Exchange and it continues to grow. Right now an historic 9.5 billion (repeat, billion) shares are listed, a rise of 20% in the past three years. The major reason for this increase is a record number of stock splits. Another reason is the parade of corporations which have decided to list their securities on the Exchange. The roster of 1,200 corporations represents the best and biggest of domestic industry.

The combination of more investors and more listings has produced a record level of trading. For two consecutive years volume on the New York Stock Exchange has made successive highs above one billion shares.

We think it is fair to state that today's investor has more protection, more information and more facilities at his command than ever before. This does not mean that every investor can possibly be protected against losses or his own decisions.

The newest protective shield for investors is

a $25,000,000 fund established by New York Stock Exchange member firms barely six months ago.

Current investors have the advantage of a constantly increased flow of financial fact and opinion. Never before have corporate annual reports contained so much information, attractively packaged at that. Most companies release quarterly reports; many hold regional stockholder meetings supplemented by chatty newsletters.

Today's investors also have the advantage of better informed salesmen (we call them Account Executives). We started our training school 20 years ago and now almost three quarters of our entire sales staff and many of our top executives are graduates of the school.

Any salesman entering the securities business today must have more education, experience and formal testing than before. In addition, newly-appointed managers of brokerage offices must pass rigid exams regardless of how many years they have been in the business. All told, a better and tighter financial community.

Rules and regulations are one thing but confidence is another. To provide the billions of new capital necessary for economic expansion both individual and institutional investors must have confidence in the national economy and the ability of business to earn a fair return. Although it is sometimes overlooked, the majority of Americans depend upon investments, if not through direct ownership, it is through participation in life insurance, savings accounts, profit-sharing plans, pension plans and the like.

Investment confidence depends upon the actions of Government and various regulatory groups. Thinking people are concerned, and rightly so, by higher and higher Federal budgets, by steadily rising national debt, by constant deficit financing and the chronic outflow of U. S. gold. There are some signs of improvement and we hope the pattern continues.

Despite the favorable business and economic signs we are disturbed by several happenings both here and abroad.

On the domestic front we are concerned by the wage-cost spiral and its implications of more inflation. We are worried by ever rising local and state taxes which more than offset any reductions in Federal levies. As but one example, the "business tax" in New York City has soared 15 times in barely as many years. It started as an "emergency tax."

On the foreign front we anxiously watch signs of financial difficulty in some important lands, not to mention almost financial chaos in several newly-created nations. Hopefully a shakedown to realism and some determined belt-tightening will restore affairs to a stable basis.

Far more serious are the "brush fires" which constantly erupt around the world and threaten to break into full-scale war. It frequently seems that Peace on Earth is far away.

In the five decades that Merrill Lynch has been in business, we and all our fellow citizens have experienced many worrisome times. We have seldom been without problems and often they seemed insurmountable. Most of them have been solved.

Right now this mighty nation is the leader of the Free World. Hundreds of millions of people look to us for guidance, protection and inspiration. We can maintain our world-wide stature only if we nurture our economic strength, have confidence in our Government and lasting faith in ourselves.

Very truly yours,

Michael W. McCarthy

MICHAEL W. McCARTHY
Chairman of the Board

George J. Leness

GEORGE J. LENESS
President

February, 1965

OUR THIRD INVESTOR SURVEY

165,000 Individuals Provide An Interesting Insight of the Needs and Forecasts of Investors

WE HAVE JUST COMPLETED the biggest survey of active investors ever made. Late in the afternoon of November 27 we began to mail questionnaires to 508,000 of our customers who did business that month or had a position on our books. The questionnaire contained almost 90 separate items covering the investment attitudes and desires of our customers, together with personal information such as age, sex, income, occupation and the like.

We deliberately held the questionnaire until after the national election to avoid any indecision over the outcome at the polls. This timing bumped into the holiday season but we are happy with the response—more than 165,000 persons answered. As a matter of interest we received 125,000 replies to our customer survey in late 1957 and 143,000 answers to a similar survey two years later.

The questionnaire was specifically designed to put the detailed facts into electronic computers for final results. Even so, it took more than 1,300 man-hours to key-punch individual replies; it required around-the-clock on two IBM 1401 computers to assess and properly assemble the mass of information. As one example of the magnitude of the survey, a breakdown of only three questions fills 43 large pages with statistical matter.

As a result of these surveys we know considerably more about our customers—a fact which is mutually beneficial. Compared with 1957, our average customer is a little bit older and considerably more affluent. To be more precise, the number of our customers who reported annual income between $10,000 and $20,000 a year increased exactly 50%; those between $20,000 and $50,000 increased 36% and those with income above $50,000 more than doubled.

Humans are all different and we know there is no such creature as an "average" or "typical" investor. Nonetheless our latest survey is broad enough to provide some interesting over-all facts. For example, 11% of those people who replied put their age between 21 and 30, a percentage virtually unchanged over the past seven years. Most of the 6% who said they bought their first corporate security in 1964 probably are in this age bracket.

At the other end of the life span are the 21% who reported they were "over 60." This is slightly above the 19% reported in 1957-59 and probably reflects increased longevity thanks to medical progress. Most of the 8% who reported they bought their first security before 1930 undoubtedly are in this age group.

Another fresh statistic is that 15% of our customers state they are retired, an increase of one-third over seven years ago. In brief, a sizable number of our customers are retiring earlier, living longer and enjoying more of the physical benefits of life.

Among other occupations, 46% of the respondents listed themselves as "salaried employee," about 20% said they were professional persons and 9% are proprietors or owners of a business. Another 7% said they were housewives.

Once again our male customers outnumber the ladies by about five-to-one (84% to 16%). This contradicts the generally accepted fact that in the U. S. there are more female shareholders than male. Here is the explanation: males are definitely more active as investors while they build their portfolios for the future.

Regardless of occupation, the investment objectives of our customers—and presumably investors around the U. S.—emphatically stress "price appreciation." In the latest survey 66% of the respondents listed that as their main investment goal followed by "safety of capital" for 25% and "liberal dividends" at 9%. This heavy accent on price appreciation undoubtedly reflects the understandable desire to make some money as well as the inflationary trend of our times.

Another emphatic vote concerns the type of securities most popular with our customers. Once again it is common stocks by nine-to-one. To be more exact, 93.3% of our customers said they bought common stocks in the six

months ended November, 91.6% said they had sold common shares and a resounding 95.8% reported they held common stocks at questionnaire date.

We had six categories of securities in our questionnaire and hence there is some overlap —e.g., a customer could buy common, preferred stock and corporate bonds all in the same six months. With this in mind, 8% of our customers said they bought Government bonds, 4% reported sales and no less than 26% reported they held Governments. We are reasonably sure many of those who replied were thinking of so-called Savings Bonds (Series E and H) rather than Governments as usually considered in Wall Street. The next time we will word the question more explicitly.

Into the Future

To give us an idea of the future we asked our customers for their thoughts on the business outlook and stock market performance as much as a year ahead. Not quite 25% think general business is headed higher for at least six months but 37% think stock prices will go higher. The remainder expect both business and the stock market to remain "about the same" or decline.

This is a marked change from the October 1959 survey when our customers were considerably more optimistic. At that time almost 60% thought business would get better and slightly more than 60% thought the stock market would rise.

As it turned out, our customers were half right and half wrong. Following the five-month steel strike in 1959 industrial production recovered and one year later was 5% higher. However, the stock market went the other way and in October 1960 was down 8% to 565 on the Dow-Jones Industrial Average. Now the index is above 900 and at historic highs.

We have no pat answer for the much more conservative attitude of our customers as compared with five years ago. One possible answer is almost everything is at record levels today and many citizens obviously wonder how long it can last—with or without the Great Society. Another possible answer is the sobering impact of many recent events both domestic and international. Still another possibility is more knowledge and sophistication on the part of investors and hence less blithe spirit.

In the face of this dampened enthusiasm, another set of answers is somewhat a surprise

—whereas 76% of our customers say they plan to buy some stock within the next year only 43% plan to sell some stock. The two percentages add to more than 100 because many customers plan to do both. Whether buy or sell, almost 90% expect to take action within six months rather than wait a year. Quite naturally any dramatic or explosive news event would cause millions of investors to change their plans overnight.

As we knew from experience there is a considerable variation of opinion depending upon income level and age and betwixt and between. Among young men aged 21 to 30 with incomes up to $10,000 a year not quite 36% think business will improve in 1965 while only 16% of the gentlemen over 60 in the same income bracket think the same way. This relative pessimism among the elders continues right through the $50,000 and up annual income class.

The viewpoints are even further apart when it comes to the outlook for the stock market. The young fellows earning up to $10,000 annually think the stock market will rise by a two-to-one majority (46% to 26%). But among the senior citizens in the same income bracket the bulls are actually outnumbered by the bears (28% to 33%).

The ladies have taken to their age-old privilege and changed their minds—contrary to our polls in 1957 and 1959 they are generally more optimistic than the men. Their numbers are smaller but their votes are strong.

The ladies aged 21 to 30 with incomes up to $10,000 a year think business will get better by 35% against only 12% down (the balance expect no change). As for the stock market, a healthy 53% expect the stock market to rise compared with 20% who forecast a decline. As in the opposite sex, they become more conservative as they grow older. The ladies over 60 in the $10,000 category voted 21% for better business and 30% for higher stock prices. Both ratios are higher than the men.

The survey shows a marked increase in the value of security portfolios. As compared with 1957 the number of individuals with portfolios worth $10-to-$20,000 increased 26%, those with portfolios valued up to $50,000 rose 18%, those with securities worth up to $100,000 increased 22% and individuals with holdings valued above $100,000 increased by 52%.

Aside from facts such as these, we have again learned one basic fact about investors—like all humans, their mood, plans and actions can change swiftly. The current poll definitely shows a much greater degree of conservatism about the business and market outlook but not one iota of change in the effort to make capital gains. The latest survey also shows the ladies are becoming more positive in their investment thinking.

EXCHANGE MEMBERSHIPS HERE AND ABROAD

AMERICAN STOCK EXCHANGE
BREMEN COTTON EXCHANGE (ASSOC.)
CHICAGO BOARD OF TRADE
CHICAGO MERCANTILE EXCHANGE
COCOA TERMINAL MARKET, AMSTERDAM (ASSOC.)
COFFEE TERMINAL MARKET ASSOCIATION OF LONDON, THE
COMMODITY EXCHANGE, INC.
DALLAS COTTON EXCHANGE (ASSOC.)
DETROIT STOCK EXCHANGE
FORT WORTH GRAIN EXCHANGE
KANSAS CITY BOARD OF TRADE
LITTLE ROCK COTTON EXCHANGE
LIVERPOOL COTTON ASSOCIATION, LIMITED (ASSOC.)
LONDON COCOA TERMINAL MARKET ASSOC., THE
LONDON COMMODITY EXCHANGE, THE
LONDON GRAIN FUTURES ASSOCIATION, LIMITED (SUBSCRIBER BROKER)
LONDON WOOL TERMINAL MARKET ASSOC., THE
MEMPHIS BOARD OF TRADE
MEMPHIS COTTON EXCHANGE
MERCHANTS EXCHANGE OF PORTLAND, OREGON
MIDWEST STOCK EXCHANGE
MINNEAPOLIS GRAIN EXCHANGE
MONTREAL STOCK EXCHANGE
NEW YORK COCOA EXCHANGE, INC.
NEW YORK COFFEE AND SUGAR EXCHANGE, INC.
NEW YORK COTTON EXCHANGE
NEW YORK MERCANTILE EXCHANGE
NEW YORK PRODUCE EXCHANGE
NEW YORK STOCK EXCHANGE
OMAHA GRAIN EXCHANGE
PACIFIC COAST STOCK EXCHANGE
PHILADELPHIA-BALTIMORE-WASHINGTON STOCK EXCHANGE
PORTLAND GRAIN EXCHANGE
SALT LAKE STOCK EXCHANGE
SEATTLE GRAIN EXCHANGE
SYDNEY GREASY WOOL FUTURES EXCHANGE LIMITED (ASSOC.)
TORONTO STOCK EXCHANGE
UNITED TERMINAL SUGAR MARKET ASSOCIATION, THE (ASSOC. MBR.) (LONDON)
VANCOUVER STOCK EXCHANGE
WINNIPEG GRAIN EXCHANGE
WOOL ASSOCIATES OF THE NEW YORK COTTON EXCHANGE, INC.

The Corporation, its affiliated corporations, and its stockholders are members of 41 Exchanges and have 91 memberships on Exchanges in the United States, Australia, Canada, Great Britain, Germany and The Netherlands.

HOW MERRILL LYNCH COVERS THE STOCK EXC

THE FLOOR of the New York Stock Exchange is a large and busy place. It is roughly one-half acre; on many recent days the combined value of buy and sell orders exceeded one-half billion dollars.

The adjacent diagram shows how Merrill Lynch covers the floor to provide maximum speed and price protection for customer orders. The firm has twelve members on the floor (all officers or stockholders) who operate from nine strategically located booths. Right on the spot they are helped by 46 order clerks and teletype operators as well as 35-to-50 independent floor brokers (still called $2 brokers although they get more for each order handled). On an active day one of our floor members will complete orders of 75,000 shares or more.

Like his many colleagues, a Merrill Lynch broker is a man of many talents. He must be healthy enough to stay on his feet for six hours daily with perhaps a half hour for a quick lunch and a rest. He must be strong and agile enough to buck his way through a crowd which might be eight deep around an active post. He also needs a good memory, accuracy, a poker face, a feel of the market and a sense of negotiation (1/8 point on 1,000 shares is $125).

Each of our brokers covers two trading posts and averages 15 steps from booth to point of sale. Each man deals in about 130 stocks which means he knows the characteristics of each one; like humans some stocks are quick and lively, others are slow and mopey. More important, each of our brokers gets to know the specialists since he deals with them every hour every day.

Left to right
Head floor member Charle
Walter Scholl, Tony Kerriga
Dick Woods, Nick Zigo, Jer
John Gallagher, Bill Hynes

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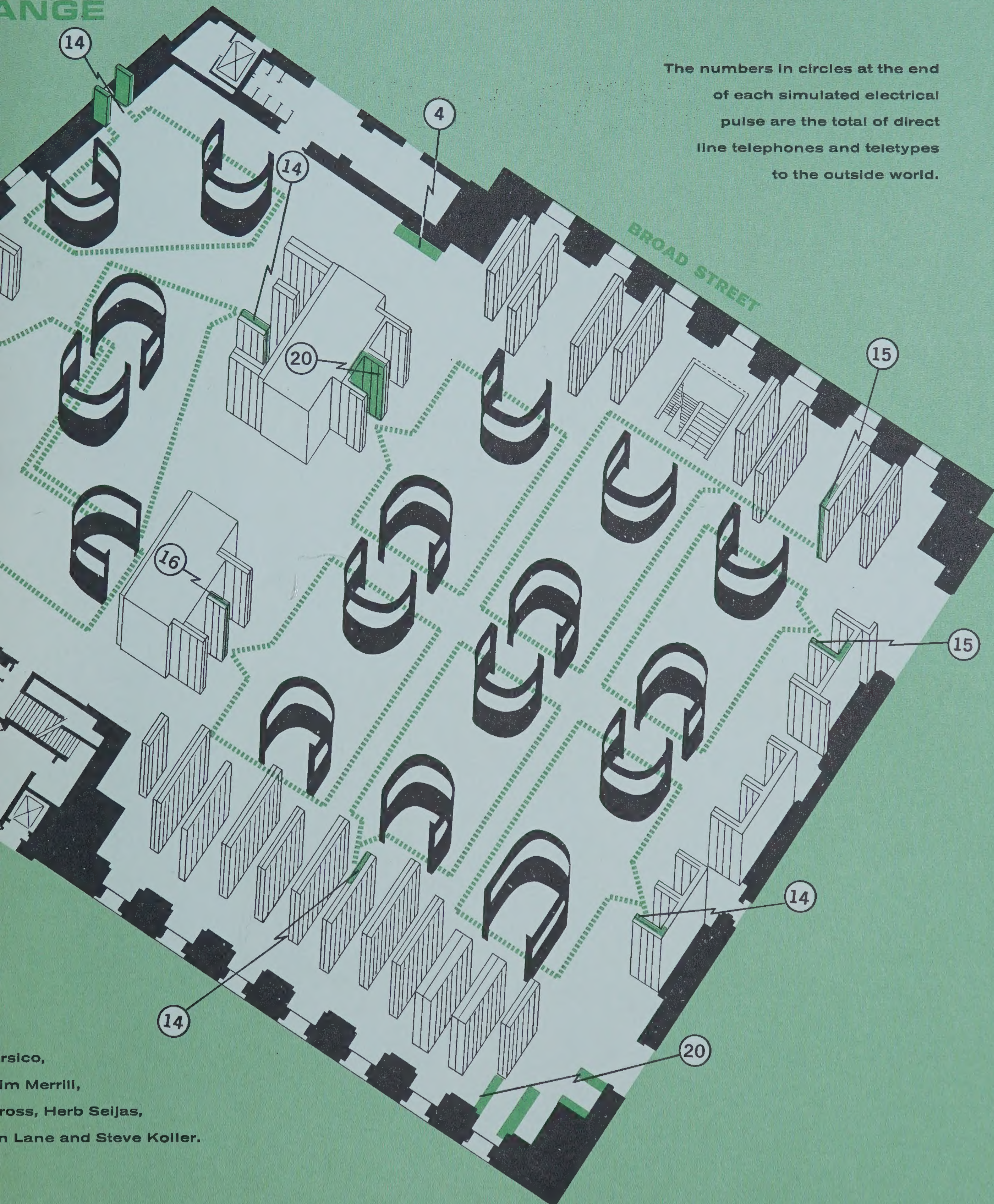
The numbers in circles at the end of each simulated electrical pulse are the total of direct line telephones and teletypes to the outside world.



rsico,
im Merrill,
ross, Herb Seijas,
n Lane and Steve Koller.

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

SUMMARY OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 25, 1964, DECEMBER 27, 1963 AND DECEMBER 28, 1962

	1964	1963	1962
Income from operations	$180,302,110	$170,022,693	$146,953,549
Operating expenses	125,814,931	118,592,200	112,407,051
Income before employee participation	54,487,179	51,430,493	34,546,498
Employee participation in profits through cash and deferred Profit Sharing and Pension Plans	16,265,045	14,328,093	10,550,155
Net Income before Federal Income Taxes	38,222,134	37,102,400	23,996,343
Estimated Federal Income Taxes	18,033,790	19,509,000	12,428,000
NET INCOME	$ 20,188,344	$ 17,593,400	$ 11,568,343

STATEMENT OF FINANCIAL CONDITION
DECEMBER 25, 1964

ASSETS

CURRENT ASSETS:	
Cash in banks and on hand	$ 27,299,960
Cash in banks, Federal and State Government securities at market value—as segregated under the Commodity Exchange Act	18,112,535
Cash, Federal and State Government securities at market value—deposited with exchange clearing associations	4,179,096
Receivable from other brokers or dealers	24,446,024
Receivable from customers:	
Cash accounts	39,358,408
Secured margin accounts	823,042,420
Commodity trade accounts	341,849
Securities owned—at market value:	
United States Government	291,354,530
States and municipalities	15,108,165
Other	39,338,120
Miscellaneous current assets	7,368,024
TOTAL CURRENT ASSETS	$1,289,949,131
OTHER ASSETS:	
Memberships in exchanges—at carrying value (less than market value)	2,000,000
Office equipment and installations (depreciated value)	6,018,117
Prepaid expenses	597,404
Sundry receivables	2,854,789
TOTAL	$1,301,419,441

LIABILITIES

CURRENT LIABILITIES:	
Money borrowed from banks	$ 592,558,494
Securities sold under repurchase agreements—U. S. Government securities	43,544,322
Payable to other brokers or dealers	76,680,433
Payable to customers:	
Credit balances	213,114,051
Cash accounts	42,023,611
Secured margin accounts	32,197,215
Equities in commodity accounts	26,356,707
Securities sold but not yet purchased—at market value	112,587,312
Dividends and interest payable	1,194,103
Accrued compensation and other benefits	23,686,747
Other accrued expenses and accounts payable (including Federal and State taxes on income)	22,478,330
TOTAL CURRENT LIABILITIES	$1,186,421,325
CAPITAL AND SUBORDINATED DEBENTURES	
Subordinated debentures, due 1972	4,919,000
Capital stock and surplus	110,079,116
Total capital and subordinated debentures	114,998,116
TOTAL	$1,301,419,441

HIGHLIGHTS OF THE YEAR

IN MANY RESPECTS 1964 was the best year in our history. At the end of our accounting period total assets were a record $1.3 billion, almost one-third above the preceding year. This increase reflects continued expansion of our business including major entry into the Government bond business last May.

Our capital funds also reached a record high of $114,998,000, or more than $7,000,000 above the preceding year. This increase in capital was achieved despite the prepayment of $12,800,000 of subordinated debentures during the year to reduce the outstanding total to less than $5,000,000. Our capital funds considerably exceed the requirements of all regulatory bodies.

Income from operations was $180,302,000 in 1964, an increase of more than $10,000,000. Last year we completed 5,006,000 separate transactions in stocks, bonds and commodities. On the two principal stock exchanges alone these transactions were valued at $12 billion; in the high-volume Government bond business transactions run above $75 billion annually.

After Federal income taxes net profit was $20,188,000 or 14% above 1963. As shown in the table below, our record profits were set in 1961.

In addition to regular salaries our employees last year participated in profits to the extent of $16,000,000-plus; this included cash and deferred profit sharing and pension plans. We are happy to report that assets of the Employees Profit Sharing Plan are a record $41,000,000. These funds are solely for the benefit of our employees and are held in trust in a major New York bank.

Just as we believe in broader public ownership of business and industry, so do we believe in broader ownership of our firm. Later in this report we list our 500 stockholders, a four-fold increase since we incorporated in 1959.

The Federal income tax rate dropped a notch in 1964 but our total tax bill (Federal, State, County, City, Social Security, excise, occupancy, etc.) increased 12% to a new high of $28,000,000, or $3,340 for every employee. Present indications are that State and local taxes will continue to rise.

We work and prepare for continued growth in our business. To ensure competent manpower we established our Training School twenty years ago and it now operates at record levels with almost 600 graduates expected in the two years ended 1965.

We opened five new offices during 1964 and plan to open at least as many this year. We have budgeted almost $3,000,000 for office modernization and improvement in 1965. Perhaps our confidence in the future is best expressed by another figure—about $6,000,000 will be spent in 1965 for advertising, sales promotion and educational aids for investors.

On the international scene we have established a highly specialized commodity unit in London and an underwriting corporation in Paris for distribution of foreign securities in overseas markets. In Tokyo we opened an office for Merrill Lynch representation last September, to make us the first U. S. brokers to obtain such permission from the Japanese Ministry of Finance.

Although it is not listed on the adjacent balance sheet, our greatest single asset is the good will and confidence of our customers. As one indication we now hold $14 billion of securities for them.

We hope to continue to merit this trust.

FINANCIAL AND OPERATING FIGURES

Years	Total Assets	Capital Funds	Income from Operations	Operating Expenses	Employees Profit Participation and Pensions	Net Income Before Estimated Taxes & Contributions	Estimated Federal Income Taxes	Balance of Net Income	Our Share of N.Y.S.E. — Public — Round Lot Volume	Odd Lot Volume
	In Thousands									
1964*	$1,301,419	$114,998	$180,302	$125,815	$16,265	$38,222	$18,034	$20,188	12.1%	18.9%
1963*	1,049,605	107,898	170,023	118,592	14,328	37,102	19,509	17,593	12.3	19.3
1962*	784,263	94,984	146,954	112,407	10,550	23,996	12,428	11,568	12.5	19.9
1961*	796,598	90,775	181,141	118,514	16,445	46,182	24,050	22,132	12.7	20.2
1960*	617,426	71,241	130,404	92,855	10,383	27,165	13,930	13,235	12.7	20.2
1959*	646,298	61,351	136,080	87,455	13,396	35,229	18,127	17,102	13.2	20.6
1958	617,427	43,261	102,966	68,051	10,784	24,131	18,000	6,131	13.7	21.1
1957	473,562	41,000	84,462	64,609	4,967	14,886	10,100	4,786	12.6	20.3
1954	456,832	30,000	69,984	44,162	6,555	19,267	14,406	4,861	12.3	17.8
1951	252,743	21,000	44,312	31,646	3,185	9,481	6,981	2,500	11.3	15.0
1948	141,341	15,500	26,670	21,983	1,009	3,679	1,974	1,705	11.0	12.9
1945	172,386	13,500	28,092	17,139	2,119	8,834	7,545	1,289	10.8	12.2
1942	74,084	6,000	9,442	9,240	45	157	11	146	9.3	10.2

*—The 1959-64 figures are on a corporate basis and not strictly comparable to prior years which are on a partnership basis.

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

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Norman Weiden Senior Vice President New York

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Danily C. Bell Beverly Hills
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Thomas J. Cassady Manhasset, L. I.
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Dakin B. Ferris Atlanta
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	New York	295 Madison Ave.	John J. Loughlin
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FRANCE	Cannes	Carlton Hotel	John G. Turrell
	Paris	25 Avenue des Champs Elysees	Eugene E. Taylor
GERMANY	Frankfurt	Zurich-Hochhaus am Opernplatz	Hercules Dantos
ITALY	Milan	Via San Pietro all'orto 26	Ramiro Penaherrera
	Rome	76 Via Bissolati	Gerald Kelton
JAPAN	Tokyo	Hibiya Mitsui Bank Bldg.	Donald P. Knode
LEBANON	Beirut	Starco North Bldg.	VP Frederick J. Sears
NETHERLANDS	Amsterdam	67-71 Leidsestraat	David E. Rosenthal
SPAIN	Madrid	Torre de Madrid 9-4	VP Kenneth M. Crosby
SWITZERLAND	Geneva	31, Rue du Rhone	VP Roger E. Bohren

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STATEMENT OF POLICY

1

The interests of our customers must come first.

2

We make no service charges.

3

In a printed report from our Securities Research Division on any company we disclose the general size of any stockholdings that our firm or any of our officers might have in that company.

4

Whenever we participate in a public offering of securities, no stockholder, officer or employee of our company is permitted to buy until orders of our customers have been filled.

5

None of our stockholders, officers or employees is permitted to benefit personally from advance knowledge of information about securities or commodities which the firm has obtained for the use of its customers.

6

To assure financial soundness, we will maintain our capital in an amount which substantially exceeds the requirements of the regulatory authorities.

7

We publish an annual report which includes a statement of our income and expenses, as well as a statement of our financial condition.

8

We aim to provide the most efficient service any broker can offer to assure customers of fast and accurate handling of their business. All our commissions are at minimum levels.

9

Because we believe that the ownership of securities by more and more people is desirable we maintain a broad program of public education, explaining what it means to invest and how to go about it.

10

Because we believe in "Investigate—Then Invest", we offer large and small investors the help of our highly qualified Securities Research Division at no charge whatsoever.

MERRILL LYNCH, PIERCE, FENNER & SMITH INC